

November 8, 2007

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WASHINGTON, D.C. - U.S. Rep. Charlie Melancon (D-LA) spoke on the floor of the House today in support of legislation he co-sponsored to tackle the rising cost of homeowners insurance in coastal communities. The Homeowners' Defense Act (H.R. 3355), which Rep. Melancon introduced with Rep. Ron Klein (D-FL) and Rep. Tim Mahoney (D-FL), is a bipartisan bill designed to address the growing crisis in the availability and affordability of homeowners' insurance. The legislation focuses on stabilizing the catastrophe insurance market by expanding private industry's capacity to cover natural disasters and helping states to better manage risk.

In his speech, Rep. Melancon told his colleagues of several homeowners from south Louisiana who had written him recently about their skyrocketing homeowners' insurance premiums:

Rep. Melancon said, **"Nolan Falgout of Thibodaux, Louisiana, wrote to me and said, 'In the event we do not get a handle on this issue, this will become the next reason why your constituents who have enjoyed growing up in this section of 'Cajun' Louisiana will no longer be able to afford to live here.'"**

Rep. Melancon continued, **"The victims of these hurricanes, the victims of the wildfires, and the victims of unforeseen future natural disasters all deserve to know that the insurance system will not abandon them when they need it the most. I believe that H.R. 3355 will provide for this stability and the long-term solution we need to solve this**

insurance crisis so that America's families will not have to abandon their communities and can return home."

Video of Rep. Melancon's floor speech can be viewed here: <http://www.youtube.com/watch?v=5moFzzax-kc> The full text of his speech, as prepared for delivery, is at the bottom of this news release.

Following are highlights of the bill's provisions.

Title I: Natural Catastrophe Risk Consortium

Allows states to combine their natural disaster risks together through a consortium.

The bill would allow states to responsibly plan for disasters before a catastrophic event occurs. The bill creates a Natural Catastrophe Risk Consortium, which provides a venue for state-sponsored reinsurance funds to voluntarily bundle their catastrophic risk with one another, and

then transfer that risk to the private markets

through the use of catastrophe bonds and reinsurance contracts. Following the risk transfer, state-sponsored reinsurance funds will be better protected and increasingly able to provide a stabilizing effect on the state insurance market.

Offers a market-based solution to the current crisis in affordable catastrophe coverage for homeowners. This bipartisan solution to the homeowners' insurance crisis will decrease the need for government bailouts when a natural catastrophe hits. The bill is a responsible approach to the homeowners' insurance crisis which expands coverage and stabilizes the market.

Restores reliability and predictability to the homeowners' insurance industry. This bill restores reliability and predictability to the homeowners' insurance industry by minimizing the price volatility in insurance following a large natural disaster.

Title II: National Homeowners' Insurance Stabilization Program

Creates a federal program to provide loans to state reinsurance programs impacted by severe natural disasters. The bill creates a National Homeowners' Insurance Stabilization Program within the Treasury Department to provide loans to state reinsurance programs in the event of a severe natural disaster, while also encouraging those programs to accumulate capital sufficient to pay their reasonably anticipated losses. By doing so, the Federal Government will be providing the capital needed to begin the rebuilding process. Specifically, the program makes available two types of loans: liquidity loans and catastrophic loans. Liquidity loans would allow a state's reinsurance fund to cover its liability in the event that it is not fully funded. Catastrophic loans are available to a state's reinsurance fund after insured losses in the state exceed 150 percent of the state's direct written premium for property and casualty insurance.

Contains provisions to minimize the cost to taxpayers. The provisions creating the federal loan program are designed to minimize the costs to taxpayers. Strict requirements are placed on state reinsurance programs in order to qualify for the federal loans. In addition, loan terms and "penalty" rates are designed so that the Federal Government is the lender of last resort.

General Provisions

Sets strict requirements that state reinsurance programs must satisfy in order to participate in the bill's programs. The bill sets out specific requirements that state catastrophe reinsurance programs must satisfy before the Treasury Secretary can certify the program as a Qualified Reinsurance Program. Only Qualified Reinsurance Programs may participate in the National Catastrophe Risk Consortium and the federal loan program created by the bill. To be certified as a Qualified Reinsurance Program, a state program must reinsure only risks in their state deemed truly catastrophic by the Treasury Secretary. Furthermore, participating states must also require state insurance and reinsurance programs to establish risk-based rates.

These common-sense provisions will ensure that states are able to provide for their citizens in the wake of a devastating event.

Since Hurricanes Katrina and Rita, premiums in south Louisiana have skyrocketed and many

homeowners have had their policies cancelled. As private insurance companies have pulled out of coastal Louisiana, more and more homeowners have had to turn to the state-sponsored "insurer of last resort," Louisiana Citizens.

Rep. Melancon has been working in Congress on several pieces of legislation to tackle the severe need for affordable homeowner's insurance in coastal Louisiana. He is also a co-sponsor of H.R. 920, the Multi Peril Insurance Act of 2007, which passed the House in September and is awaiting further action in the Senate. The bill calls for a major expansion of the federal National Flood Insurance Program to allow NFIP policyholders to purchase windstorm coverage directly from the federal government, in addition to flood insurance. The bill was introduced by Rep. Gene Taylor of Mississippi, whose home was destroyed by Hurricane Katrina.

In July, Rep. Melancon testified before a subcommittee of the House Committee on Financial Services on the severe need for affordable homeowner's insurance in coastal Louisiana.

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Mr. Chairman,

I am proud to speak out today in support of H.R. 3355, the Homeowner's Defense Act. Recovering from the two hurricanes that devastated our state and the Gulf Coast in 2005 continues to be the most important challenge the people of Louisiana have ever faced. One of the biggest roadblocks to our recovery remains the lack of affordable and available property insurance.

However, as we have seen in the past few weeks with the wildfires that ravaged California, affordable insurance isn't just a problem for the residents of the Gulf Coast. This is a nation-wide problem that needs our immediate attention and a practical and effective long-term solution. I believe that H.R. 3355 offers that long-term solution.

In the wake of Hurricanes Katrina and Rita in 2005, after the victims of these storms suffered two of the worst natural disasters in this country's history, our people were forced through the indignity of another battle - a battle with their insurance companies. All along the Gulf Coast, insurance companies have packed up and moved out; they have canceled their policies, refused to write new ones, or raised their rates exponentially with less coverage and higher deductibles. In Louisiana, more and more people are being forced to turn to Louisiana's state-sponsored "insurer of last resort," and again, paying premiums way above market rates. For those who were "lucky" enough to have their policies renewed, they are now being hit with skyrocketing premium increases, often as much as two, three, or four times what they paid before - and some even higher.

The district in Louisiana that I represent is entirely in the "new" hard-to-insure part of the state; and every day I get calls, emails, and letters from constituents begging Congress to do something about the insurance crisis. Here is just a sampling of the letters that I have received [HOLD UP LETTERS]:

- Roy Barrios of Lafourche Parish wrote me saying that Allstate recently cancelled his homeowners' insurance policy and he now will have to pay three times as much for coverage from Louisiana's insurer of last resort. He was only two months shy of being covered by Louisiana's consumer protection laws that would have kept his policy from being cancelled, although he noted that Allstate is still happy to renew his more-profitable car insurance policy.

- Jeanette Tanguis of Houma, Louisiana, said her premium increased \$200 PER MONTH. In a letter to me she wrote, "Having spent most of my life living in Terrebonne Parish, it never occurred to me that I would be forced to move from the place I love and have called home for most my life. Unfortunately, my family and I are being forced to make this sad decision."

- Similarly, Nolan Falgout of Thibodaux, Louisiana, wrote to me and said, "In the event we do not get a handle on this issue, this will become the next reason why your constituents who have enjoyed growing up in this section of "Cajun" Louisiana will no longer be able to afford to live here."

These are only a few of the many stories I hear from people who are being forced to leave their homes and communities.

If the claimants from the two hurricanes had been awarded the settlements that they were entitled to from the insurance companies, this would have not been an issue that requires the attention of Congress. Sadly, this is not the case.

It is time we recognize that market failures exist. The victims of these hurricanes, the victims of the wildfires, and the victims of unforeseen future natural disasters all deserve to know that the insurance system will not abandon them when they need it the most. I believe that H.R. 3355 will provide for this stability and the long-term solution we need to solve this insurance crisis so that America's families will not have to abandon their communities and can return home.